

ORIGINAL



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MEMORANDUM

TO: Docket Control Center

FROM: Steven M. Olea  
Director  
Utilities Division

DATE: June 20, 2012

RE: TIERRA LINDA HOMEOWNERS ASSOCIATION, INC. REQUEST FOR  
EXTENSION OF COMPLIANCE DEADLINE DOCKET NO. W-04236A-04-0075

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AZ CORP COMMISSION  
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Arizona Corporation Commission  
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In Decision No. 67104, dated July 9, 2004, the Arizona Corporation Commission ("A.C.C." or "Commission") approved the application of Tierra Linda Homeowners Association, Inc. ("Tierra Linda" or "Company") for a Certificate of Convenience and Necessity ("CC&N") to provide water service in Pima County, Arizona. Decision No. 67104 ordered the following compliance condition on the Company:

"It is further ordered that Tierra Linda Homeowners Association, Inc. shall file a rate application no later than three months following the fifth anniversary of this Decision."

Based on the Commission ordered timeframe, the original due date for compliance with the rate case requirement was October 9, 2009.

On August 7, 2009, Tierra Linda docketed a "motion for extension of compliance condition" seeking an extension of time until from October 9, 2009 until October 9, 2010 for the provision of the required rate case filing. Staff filed its response on August 20, 2009 recommending approval for an extension of time but recommending the due date be extended until June 30, 2011, using a December 31, 2010 test year. On October 7, 2009, the ACC issued Decision No. 71291 which approved an extension of time until June 30, 2011, using a December 31, 2010 test year.

On October 7, 2010, Tierra Linda docketed a subsequent "motion for extension of compliance condition" seeking further extension of time - from June 30, 2011 until June 30, 2012 - to make the required rate case filing. Staff filed its response on February 11, 2011 and recommended approval of an extension of time until June 30, 2012. On October 7, 2009, the ACC issued Decision No. 72250 which approved a subsequent extension of time until June 30, 2012, using a December 31, 2011, or later, test year.

On May 7, 2012, Tierra Linda docketed a subsequent "Motion To Briefly Extend Time Deadline..." seeking further extension of time - from June 30, 2012 until September 30, 2012 - to make the required rate case filing. According to the application, the sale of Tierra Linda assets and the transfer of its CC&N was approved in Dec. No. 72002 and Mr. Smyth is currently

operating the system. The Company has selected April 30, 2012 as the test year for the required rate case filing in order that the filing include 12 months of operations under Mr. Smyth.

On June 13, 2012, Staff contacted company counsel to discuss the application for extension of time. Counsel stated that while the sale of assets and transfer of the Tierra Linda CC&N were approved in Dec. No. 72002, dated December 10, 2010, the agreement was not fully consummated until April 2011. This resulted in the selection of the April 30, 2012 test year for the rate case filing.

Company counsel also stated that the accounting information necessary for the filing was not available to the rate case consultant in time for the consultant to prepare the rate case by the June 30, 2012 deadline. He further stated that, because of the accounting information issue, it would be helpful for the Company to seek an additional month beyond the September 30, 2012 extension date that had been originally proposed. Staff accepted this as a verbal amendment to the application for extension of time and conducted its review as if the Company's original request had been for October 31, 2012.

Based on all of the above, Staff does not object to the Company's amended request for extension of time for the provision of the required rate case application. The ownership transfer has now taken place and the April 30, 2012 test year should allow the Company to file the application with a year of operations under the new owner, Mr. Smyth. Further, accurate accounting information is both a prerequisite and necessity for the production of a rate case application. Staff therefore recommends that the due date for provision of the rate case application be extended from June 30, 2012 to October 31, 2012. Staff further recommends that the requirement that the rate case filing utilize a December 31, 2011, or later, test year remain in place. Staff also recommends that no further extensions of time be granted.

SMO:BKB:lhmm

Originator: Brian K. Bozzo

SERVICE LIST FOR: TIERRA LINDA HOMEOWNERS ASSOCIATION, INC.  
DOCKET NO.: W-04236A-04-0075

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